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No.

Supreme Court, U.S.
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In The

Supreme Court of the United States

OCTOBER TERM, 1985

AJAC TRANSMISSION PARTS CORP.,
FAIRBANKS RACING AUTOMATICS and
JERRY JACOBY,
Petitioners,

V.

TRANSGO, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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November 13, 1985

Petitioners pray that a writ of certiorari issue to review an opinion and judgment of the United States Court of Appeals for the Ninth Circuit affirming an award of attorney fees by the United States District Court for the Central District of California.

QUESTION PRESENTED FOR REVIEW

This petition presents an important question of statutory interpretation of the Lanham Act, 15 U.S.C. 1051 et. seq., our national trademark laws:

> In an action for infringement of an unregistered trademark under 15 U.S.C. §1125(a), are the extraordinary remedies including an attorney fee award available to a the trademark owner pursuant to 15 U.S.C. 1117(a) which by its express terms limits recovery to "...the registrant of a mark registered in the Patent and Trademark Office"?

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OPINIONS BELOW

The original opinion of the Court of Appeals was filed on January 15, 1985 and was intended to appear at 751 F.2d 1040 (A1). The Court withdrew its opinion without notice to the parties after the filing by petitioners of timely petitions for rehearing. The Court, without granting a rehearing, subsequently amended its original opinion by an Order dated August 15, 1985 (A42). The amended opinion was published at 768 F.2d 1001. The Order was itself modified by an Amended Order dated September 4, 1985 (A47). The opinion of the District Court is unofficially reported at 211 U.S.P.Q. 217 (1981) and reproduced at A49.

JURISDICTION

This Court has jurisdiction to review the judgment by issuance of a writ of certiorari pursuant to 28 U.S.C. §1254(1). The judgment was entered January 15, 1985, and an order denying the petitions for rehearing was entered September 4, 1985.

STATEMENT OF THE CASE

Transgo successfully sued Ajac Transmission Parts Corporation (Ajac), Fairbanks Racing Automatics (Fairbanks) and Jerry Jacoby (Jacoby) for, among other things, violation of 15 U.S.C. §1125(a) on the ground that infringement of Transgo's alleged unregistered trademark "Shift Kit" was a false designation of origin within the meaning of that section.

The case was tried to a jury. After the judgment on the verdict was entered, the district court found the case to be "exceptional" within the meaning of 15 U.S.C. §1117 and awarded attorney fees under that section even though by its own terms, the section provides remedies to a "registrant of a mark registered in the Patent and Trademark Office."

The Ninth Circuit ignored the clear statutory language of 15 U.S.C. §1117 and awarded fees to Transgo under this statute.[1]

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[1] 15 U.S.C. §§1117 and 1125(a) are reproduced at A63.

Transgo did not have a federally registered trademark and, in fact, had been refused registration by the U.S. Patent and Trademark Office on the basis that "the mark is highly descriptive, if not generic, and is therefore incapable of acquiring secondary meaning" (A8).

Review by this Court is necessary to resolve a conflict among courts of at least six circuits. This is a recurring issue. The federal statute is isolated for review because California law does not permit the award of attorney fees for unfair competition (See District Court's holding which was affirmed A60, ¶15). The case is unique because the federal statute under which fees were awarded requires a registered mark and the term involved had been refused registration on the basis of genericness, the central issue at trial.

ARGUMENT

In its initial opinion dated January 15, 1985, the Ninth Circuit reversed the holding of the District Court awarding attorneys fees under §1117 and held:

> Transgo's application for registration of its trademark was rejected. Therefore the provisions of 15 U.S.C. §1117 are inapplicable to this case. (A35)

In its original opinion, however, the Ninth Circuit did affirm the attorney fee award on the ground that, even in the absence of statutory grounds, an attorney fee award may be made on equitable grounds alone in cases involving unregistered marks arising under the Lanham Act (A36).

Petitioners sought rehearing on the basis that the holding that the attorney fee award could be based on equitable grounds was in direct conflict with *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967). Subsequently, and without notice to petitioners and without granting a rehearing, the Ninth Circuit withdrew its original opinion and issued the Order of August 15, 1985 by which it revised the earlier opinion (A42).

In an amazing about face, the Court reversed its original holding that attorney's fees could not be awarded under 15 U.S.C. 1117(a) in cases which do not involve a registered trademark (A43-44). The Court withdrew its affirmance of a fee award based on equitable grounds, declining to rule whether or not the award could be based on equitable grounds (A45).[2]

In its Order of August 15, 1985 amending its original opinion, the Ninth Circuit noted that the authority to award attorney fees under 15 U.S.C. §1117 resulted from a Congressional amendment to the statute in 1975 and that §1117 by its own terms was limited to cases involving registered marks (A43). Nevertheless, the Court ruled that the amendment to §1117 at least permitted an award of attorney fees in cases involving unregistered trademarks. The Court declined to rule that the other extraordinary remedies in §1117, i.e., discretionary awards of multiple damages and an infringer's profits in addition to actual damages caused by infringement, also were applicable in such cases. The surprising reversal of position by the Ninth Circuit 1) puts it in a position of conflict with other federal courts concerning the imposition of remedies under 1117(a) in cases arising under the Lanham Act; 2) ignores the clear language and statutory scheme set forth in the Lanham Act; and, 3) effectively overrules its own holding in *New West Corp. v. NYM Company of California, Inc.*, 595 F.2d 1194 (9th Cir. 1979).

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[2]To award fees on equitable grounds would be in direct conflict with *Fleischmann* which held "that Congress intended §35 of the Lanham Act (15 U.S.C. §1117) to mark the boundaries of the power to award monetary relief in cases arising under the Act." 386 U.S. 714, 720-721. Such holding would also be inconsistent with the Ninth Circuit's holding in this case at A43. The court awarded Transgo $250,254 in fees including $27,444 for copyright violations. Only those fees properly allocated to copyright claims may be awarded under the Copyright Act 17 U.S.C. §116. *MCA, Inc. v. Wilson*, 677 F.2d 180, 187-88 (2nd Cir. 1981). *Flick-Reedy Corp. v. Hydro-Line Manufacturing Co.*, 241 F.Supp., 127, 142 (N.D. Ill. 1964). *Gelles-Widmer Co. v. Milton Bradley Co.*, 132 USPQ 30, 35 (N.D. Ill. 1961). *Burnett v. Lambino*, 206 F.Supp. 517 (S.D.N.Y. 1962). *Eisman v. Samuel Goldwyn, Inc.*, 23 F.Supp. 519, 520 (S.D.N.Y. 1938).

When the Ninth Circuit originally overruled the holding of the District Court that an award of attorney fees could be based on 15 U.S.C. 1117 in an action involving an unregistered mark arising under 15 U.S.C. 1125(a), it cogently observed that Transgo's application to register SHIFT KIT had been rejected by the Patent and Trademark Office and that the remedies of §1117 were expressly limited to cases involving registered marks. As further support for its position it cited its own decision in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 359 F.2d 156, 159 (9th Cir. 1966), *aff'd*, 386 U.S. 714 (1967) for the proposition that "Courts should not establish a right to attorney's fees that Congress has not conferred." A discussion of that case provides a useful springboard for consideration of the question whether attorney fee awards can be made under §1125(a).

Section 1125(a) provides that a party who commits an act prohibited by that section "shall be liable to a civil action." Similarly, 15 U.S.C. §1114 provided that infringers of a registered mark "shall be liable in a civil action by the registrant". However, unlike §1125(a), §1114 specifies that the registrant has available "the remedies hereinafter provided." Those remedies are specified in §§§1116, 1117 and 1118 each of which expressly states that the remedy provided is for "violation of any right of the *registrant of a mark registered* in the Patent and Trademark Office." Section 1116 prescribes the injunctive relief available to registrants. Section 1118 authorizes destruction of infringing articles. Section 1117(a) permits an award, not only of damages, but also of the infringer's profits and trebling of the actual damages.

Prior to 1975, §1117 did not authorize an award of attorney fees. Nevertheless, some courts had made such awards in cases involving registered marks in addition to the other monetary remedies of that section. The Ninth Circuit in *Maier*, a case involving infringement of the celebrated and registered trademark "Black & White" for scotch whiskey, nevertheless held that "attorney's fees are not recoverable in trademark infringement cases under the Lanham Act, primarily *because the Congress has not provided for them.*" 359 F.2d 156, 159.

This Court affirmed the Ninth Circuit in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967). In its opinion the Court noted that, unlike in English jurisprudence, the American rule is that attorney fees are not ordinarily recoverable. The Court went on to say that when Congress creates a right and provides remedies by statute "other remedies should not readily be implied." 386 U.S. at 720. In response to the *Fleischmann* decision, §1117 was amended by Congress in 1975 to provide for an attorney fee award as one of the remedies available to registrants of trademarks.

It is contrary to Congressional intent, and would actually tend to defeat a major purpose of the Lanham Act, if all of the remedies of a registrant are accorded to owners of unregistered trademark acts.

The Lanham Act was enacted in 1945. Prior to its enactment the main body of trademark law was found in the Trademark Statutes of 1905 and 1920. The Act of 1905 specifically authorized civil actions against infringers by owners of *registered* marks. Section 16 of the 1905 Act permitted the recovery of damages and authorized trebling of the damage award. Section 19 of that Act authorized injunctive relief and an accounting of the defendants profits. Section 20 authorized destruction of infringing articles. Thus, the remedial scheme of the 1905 Act, insofar as registered marks are concerned, is the same as originally enacted in §§§1116, 1117 and 1118.

The 1905 Act did not create a federal right of action on behalf of the owner of unregistered marks. The provisions of the 1905 Act were supplemented in 1920, however, and §3 of the 1920 Act created for the first time a statutory tort which is the predecessor of §1125(a) by permitting an injured party to seek redress in cases involving "a false designation or origin." The statute expressly permitted "an action at law for damages" and "an action in equity for an injunction." In other words, the party applying the false designation of origin was liable for the usual remedies in a "civil action." The statutory remedies of Section 3 of the 1920 Act did not include the extraordinary remedies of treble damages or prof-

its. Thus, prior to 1945, there were clear distinctions between the remedies for infringement of registered marks and those for unregistered marks actionable as false designations of origin. The express language of the Lanham Act makes it clear that these distinctions were carried over into the new act since the remedies of the 1905 Act for a registered mark were reenacted while the remedial aspect of cases involving a false designation of origin was not changed.

There is abundant evidence in the legislative history of the Lanham Act that Congress intended to encourage registration of trademarks in order to establish a national register. The remarks of Chairman Martin of the Trademark Committee of the Patent Section of the American Bar Association, one of the draftsman of the act, in hearings on H.R. 82, 78th Cong. 1st Sess. 1943, pp. 31-32 make this point clear. He stated that the principal purpose of the new act was to "provide as complete a register of trade-marks as it is possible to provide." He further stated:

> In drafting this act, every incentive that could be devised has been included in this act to get everybody to register their mark, so that when anybody wants to choose a mark, he can go to Washington and look in the records and see what marks are registered and then he can be governed accordingly.
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> ***
>
> In fact, I think under this act, the public should be taught that they have a duty to register their mark in Washington, so that anybody who wants to use a mark can feel reasonably sure that there is a register that is substantially complete and they can feel reasonably sure if they look in Washington, that there will be no marks outstanding that will conflict with their marks.
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> ***
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> What are these incentives that have been provided? Well, there are a number of them and they have been men-

tioned many times, but I only want to mention them in connection with these provisions. When a mark is published under this act, under the new proposed act, of course, anyone can appear and oppose the proposed mark, so that the first chance he has to object to the mark is by an opposition proceeding and the mark is published in the Official Gazette and either he or the one who is taking care of his trade-mark matters should receive notice of that because the Official Gazette of the Patent Office is widely distributed.

He has a chance to oppose. If he doesn't oppose, still again, he has a chance to come in and cancel that mark and he has 5 years in which to cancel it. If he doesn't cancel in 5 years, even then his common law rights are not destroyed. He can still have the use of his mark, provided he began to use it before the registrant applied to register the mark. He still can use his mark in the territory where he has been using it.

The incentive is given to the little man, and to the big man and everyone to register, because, if he doesn't register his marks and somebody else comes along and registers a confusingly similar mark, the first user is restricted to this little territory where he has been using it. He will never be able to spread all over the country. There is the incentive. If a man wants to be able to spread all over the country and use his mark to enlarge his business, he must register it, otherwise someone may come along and register the same mark, not knowing about his mark, and then he would be restricted to his own territory.

Incentives in the act are necessary to encourage registration because the applicant not only must pay the fees associated with examination but may also face expensive quasi-litigation in the form of opposition proceedings under §1063 prior to registration, cancellation proceedings after registration under §1064 and interfer-

ence proceedings under §1066 testing his right to the mark. Because Congress intended to encourage registration, obliteration of distinctions between the rights and remedies afforded a registrant and those afforded holders of unregistered marks would defeat that intention.

One incentive of a registrant arises from the statutory right to indicate by the symbol ® or by the other approved means that the mark is registered. By doing this the owner may recover profits and damages even in the absence of actual notice of the registration of the mark. See 15 U.S.C. §1111. There is little doubt that, had Transgo filed an application to register SHIFT KIT in the period 1966-1969, its right to the trademark could have been determined prior to the controversy involved below. Had it secured that registration and used the symbol ® on its products, petitioner and the third parties who referred to their products as "shift kits" would have known that the term had been examined and accorded trademark status. Registration is crucial where the mark is arguably generic, as in this case, to give notice to persons seeking to compete.[3]

Among the other advantages a registrant gains under the Act is a national scope of protection even if its actual use of the mark is geographically limited (15 U.S.C. 1072) and certain procedural advantages in the form of presumptions of ownership of the mark, its validity and the registrant's right of exclusive use (15 U.S.C. 1057(c)). The registrant's right to use the mark can become incontestable if the requirements of 15 U.S.C. §1065 are met. These procedural advantages pale to insignificance, however, when compared to the substantive remedies of treble damages, profits

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[3]Under the holding of the Ninth Circuit, a user of an alleged mark refused registration is treated better than a registrant who omits the notice of registration under §1111. In both cases, the potential competitor adopting the term has no notice of any claimed right. Yet the registrant is denied damages and attorneys fees while the user of the unregistered term is accorded full remedies of a registrant who has given proper notice. Congress did not intend such result.

and, in view of the high cost of litigation, attorney fees. Because of the high cost of the application process to register a trademark, if the remedial rights available to a holder of a registered mark are also available in actions involving unregistered marks, little incentive remains to seek registration.

The Ninth Circuit justified its decision to permit awards of attorney fees in cases involving unregistered trademarks on the ground that it would be "anomalous" not to do so in view of the fact that attorney fee awards are specifically permitted in cases involving registered marks, patents and copyrights (A44). The real anomaly is awarding attorney fees to owners of unregistered marks.

Contrary to the suggestion of the Ninth Circuit, a copyright must be registered before attorney fees can be awarded. The copyright exists in original works even if not registered, 17 U.S.C. §102. Registration of the copyright is permissive and can be accomplished at any time by the filing of an application, 17 U.S.C. §408. The Copyright Act, 17 U.S.C. §505, does permit a copyright owner to recover attorney fees. Section 504 of the Act also provides for statutory damages. However, no action for infringement can be maintained until the copyright is registered except in limited circumstances. 17 U.S.C. §411. Furthermore, unless the copyright is registered before the infringement is commenced, neither statutory damages or attorney fees can be awarded. 17 U.S.C. §412. Therefore, the copyright law clearly encourages registration by distinguishing between the remedies afforded owners of copyright who register and those who do not prior to acts of infringement.

Patent applications, like trademark applications are rigorously examined. No right of action even exists on behalf of an owner of an unpatented invention. Attorney fees may only be awarded under 35 U.S.C. §285 where the U.S. Patent and Trademark Office has issued a patent.

Therefore, contrary to the position of the Ninth Circuit, the denial of an award of attorney fees in a case involving an unregistered mark finds a direct analogy in the copyright and patent laws.

The language contained in §1117 referring to "marks registered in the Patent and Trademark Office" is a term of art and was specifically defined in the Act as meaning a mark registered in the United States Patent and Trademark Office under the Lanham Act and certain predecessor acts. 15 U.S.C. § 1127. There was no inprecision by Congress. When the same terms are used in different sections of the statute, they receive the same meaning. *Firestone v. Howerton*, 671 F.2d 317, 320 (9th Cir. 1982); *Marino v. INS*, 537 F.2d 686 (2d Cir. 1976).

15 U.S.C. §1117 was amended in the Trademark Counterfeiting Act of 1984 which once again limited the award of attorney fees to infringement of a registered mark. In subsection (b), Congress limited the award of reasonable attorneys fees for infringement that "...consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit (as defined in §34(d) of this Act, 15 U.S.C. 1116(d)...)." Section 34(d) defines a counterfeit mark as "...a mark that is registered on a principal register in the United States Patent and Trademark Office...whether or not the person against whom relief is sought knew such mark was so registered...". The legislative history of the change to 15 U.S.C. §1117 confirms that it was Congress' intention to limit the award of attorney fees to registered trademarks. See Senate Report No. 98-528 98th Cong., 2nd Sess. 4, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS 3629 and 3636. Thus, Congress has again limited the award of attorneys fees to infringement of registered trademarks.

In its most recent decision interpreting the Lanham Act, this Court reversed the decision by the Ninth Circuit in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, U.S. , 105 S.Ct. 658 (1985). In its opinion reviewing the Ninth Circuit's interpretation of 15 U.S.C. §1065, this Court stressed that statutory construction begins with the language of the statute itself and the assumption that the language reflects the legislative purpose. *Id.* at 662. In this case the language of §1117 is unequivocal and had the Court of Appeals heeded this Court's approach to statutory construction in *Park 'N Fly*, it correctly would have held that attorney fee awards are

restricted to cases involving registered marks. Restricting the remedies of §1117 to such cases clearly encourages registration of trademarks, one of the major goals of the Lanham Act.

When the Ninth Circuit reversed itself in this case, it acknowledged that §1117 is, by its terms, restricted to actions involving registered marks, but justified its reversal on the basis of decisions of the Eighth and Eleventh Circuits in *Metrics & Multistandard Components Corp. v. Metric's Inc.*, 635 F.2d 710, 715-16 (8th Cir. 1980) and *Rickard v. Auto Publisher Inc.*, 735 F.2d 450 (11th Cir. 1984). Each of those decisions affirmed awards of attorney fees in cases arising under §1125(a) involving unregistered mark. The courts in each of these cases ignored the "assumption that the ordinary meaning of the language accurately expresses the legislative purpose" *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, U.S. at , 105 S.Ct. at 662.

In the *Metrics* case, the Eighth Circuit acknowledged the language of §1117 limiting the remedies to actions involving registered marks. It expressed concern, however, that since §1125(a) did not prescribe remedies, potentially that section could be interpreted to afford broader remedies to owners of unregistered marks than were available to registrants. Therefore, the court held that *all* of the remedies of §1117 were applicable to actions under §1125(a).

In *Rickard*, the Eleventh Circuit also paid lip service to the express language of §1117(a) limiting its remedies to cases involving registered trademarks and the plain meaning rule of statutory construction. *Id.* at 457. It found it did not need to resort to this rule and that statutory construction was not dispositive of the issue when other courts had decided, either expressly as in *Metrics* or without comment as in other cases, that an award of attorney fees could be made in §1125(a) cases. Significantly, the Ninth Circuit and this Court in the *Fleischmann* cases found the unthinking precedents of other courts to be unpersuasive as a reason to depart from plain meaning of the statute itself when construing §1117 prior to the 1975 amendment.

The Eleventh Circuit also looked at the legislative history of §1117 and noted the significant change from the original language of the bill before Congress, which would have made its remedies available to *the plaintiff* in *any* civil action arising under the act, to that in the current act limiting the remedies to actions involving registered marks. Specifically, §35 of the 1943 bill (H.R. 82) authorized awards of treble damages and an accounting for profits for plaintiffs under any action authorized by the statute, including cases involving a false designation of origin under §43(a) of that bill. Congress did not enact H.R. 82 and when the bill which became the Lanham Act was introduced in 1945 (H.R. 1654) it restricted recoveries of treble damages and an accounting for profits to the "registrant of a mark registered in the Patent Office." The Eleventh Circuit did not consider this change between the 1943 and 1945 bills to be controlling of its interpretation, despite the rule of construction that amendments to statutory language are presumed to effect some purpose. *Argosy Limited v. Hennigan*, 404 F.2d 14 (5th Cir. 1968).

Ultimately, the Eleventh Circuit decided that Congress intended to provide uniform national remedies for trademark infringement whether the mark involved was registered or not and, on that basis, justified reading the attorney fee amendment to §1117 in 1975 into §1125(a). Quixotically, this reasoning did not lead the Eleventh Circuit to embrace the entire holding of the Eighth Circuit in *Metrics* that all remedies of §1117 were applicable to §1125(a) actions as it expressly refrained from going that far. *See id.*, 735 F.2d at 458 n.34. The Ninth Circuit similarly limited its holding (A44).

At least three United States District Courts have reached the opposite conclusion of the Eighth, Ninth and Eleventh Circuits and have held that the 1975 amendment to §1117 authorizing awards of attorney fees in cases involving registered marks does not extend

to actions under §1125(a).[4] These courts are the District of New Jersey in *Natural Footwear Ltd. v. Hart Schaffner & Marx*, 570 F.Supp. 543, 572-73 (D.N.J. 1983), *aff'd in part and vacated in part on other grounds*, 260 F.2d 1383 (3rd Cir. 1985); the Northern District of Illinois in *Santucci Construction Co. v. Carlo V. Santucci, Inc.*, F.Supp. , , 200 USPQ 783, 788 (D.N.Ill. 1978); and the Western District of New York as *A.S. & W. Products, Inc. v. Atlantic Steel Co.*, F.Supp. , , 207 USPQ 251, 252 (W.D.N.Y. 1979). The Court in *A.S. & W.* specifically based its decision on this Court's holding in *Fleischmann*.

From the foregoing it is clear that substantial confusion exists among the Federal Courts concerning the remedies available in "civil actions" under 15 U.S.C. 1125(a). Some courts apparently assume, without directly addressing the issue, that an award of attorney fees and other remedies patterned on those of §1117 are available in cases involving unregistered marks. At least the District Courts cited above have rejected the position that the amendment to §1117 in 1975 authorizes attorney fee awards in cases arising under §1125(a). The Eighth Circuit in *Metrics* held that all of the remedies of §1117 were available in 1125(a) cases. Two Circuit Courts, the Ninth in this case and the Eleventh in *Rickard*, have held that awards of attorney fees can be made in §1125(a) cases but declined to decide whether the other remedies of §1117 available to a registrant of a mark should also be available in cases involving unregistered marks. This case, therefore, presents a timely opportunity for this Court to resolve the substantial confusion that has

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[4]Commentators are also divided. Compare Fitzpatrick, Damages in Trademark and Patent Infringement Litigation, 8 APLA Q.J. 29, 31 (1980) (plaintiff must own a federally registered trademark to recover damages under §35) and Koelmay, Monetary Relief for Trademark Infringement Under the Lanham Act, 72 T.M.Rep. 458, n. 3 (1982) (courts are correct in conforming §43(a) remedies to §35 relief.)

arisen in the lower courts concerning the interrelation between §1117 and §1125(a). This court should ultimately hold that the exceptional remedies of §1117(a) are limited to registrants and that damages and an injunction are available in a "civil action" under §1125(a).

CONCLUSION

The decision of the Ninth Circuit ignoring the clear language of the statute has added to the confusion concerning the interpretation of 15 U.S.C. §§1117(a) and 1125(a) and frustration of Congressional intent. A writ of certiorari should be granted.

Respectfully submitted,

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